

OCS Policy Committee Meeting (May 24, 2001)

The OCS Policy Committee is an advisory committee chartered under the Federal Advisory Committee Act to give the Secretary of the Interior advice on discretionary issues related to implementation of the OCS Lands Act. The members represent Governors of coastal States, local government, environmental interests, and the offshore oil and gas, minerals and fishing industries.

In October 2000, the OCS Policy Committee established a Natural Gas Subcommittee to independently review and evaluate information on natural gas, and then provide an assessment of the contribution the OCS can make to meeting the short term and long term natural gas needs of the United States within the framework of a national energy policy. The subcommittee forwarded its report with accompanying recommendations for consideration of the OCS Policy Committee on April 20, 2001.

Action Taken: The OCS Policy Committee on May 24, 2001, amended the Subcommittee recommendations and adopted the resolution to forward its amended recommendations to the Secretary of the Interior.

OCS POLICY COMMITTEE
Resolution of the OCS Policy Committee on Recommendations based on
The Report from the Subcommittee on Natural Gas

In consideration of the duty of the Outer Continental Shelf (OCS) Policy Committee to provide policy guidance to the Secretary of the Interior on issues related to the management, protection, and development of mineral resources on the OCS, the following resolution is hereby adopted in Alexandria, Virginia on this 24th day of May, 2001;

WHEREAS, growth of U.S. consumptive demand for natural gas is currently of national interest, with projections as high as 30 trillion cubic feet (Tcf) of natural gas annually by the year 2015, representing a 50 percent increase over current national consumption;

NOTING that if the offshore is expected to maintain the same percentage contribution towards future U.S. gas consumption, the annual gas production from Federal waters will have to be increased to reach about 7 to 8 Tcf from its current level of 5 Tcf;

WHEREAS, the OCS Policy Committee established a Subcommittee to independently review and evaluate information on natural gas, and then provide an assessment of the contribution the OCS can make to meeting the short term and long term natural gas needs of the United States within the framework of a national energy policy; and

WHEREAS, the Subcommittee on Natural Gas, after careful review and due consideration of significant factors including resource, production, and demand projections; infrastructure; alternatives; the environmental safety record of, and current technologies and procedures used by, the offshore industry; leasing moratoria; safety and operational considerations unique to natural gas; and social impacts; has prepared a report that documents its review and offers recommendations; but does not evaluate energy, fuel, or building efficiencies and the roles these may play in the nation's energy needs over the next several decades; and

WHEREAS, the report of the Subcommittee will help guide the Secretary of the Interior and the Minerals Management Service (MMS) in identifying the role of the OCS in addressing the natural gas needs of the nation by identifying potential issues and policy options;

NOW, THEREFORE BE IT RESOLVED by the OCS Policy Committee that the attached recommendations based on the Report of the Subcommittee on Natural Gas are approved and adopted by the OCS Policy Committee; and

Further, Be It Resolved, that the Secretary of the Interior is urged by the OCS Policy Committee to take timely action to implement the recommendations of this Committee.

Outer Continental Shelf Policy Committee
Chairman Donald F. Oltz, Jr.
May 24, 2001

OCS Policy Committee Recommendations Based
On the Report from the Subcommittee on Natural Gas
May 24, 2001

After consideration of the available information concerning the supply and demand for energy in the U.S., the Policy Committee finds that natural gas should be considered as a significant part of an energy base, which includes alternatives and conservation programs. Recognizing that natural gas is only a portion of a national energy policy, the Policy Committee makes the following recommendations:

1. The Outer Continental Shelf (OCS) should be viewed as a significant source for increased supply of natural gas to meet the national demand for the long term.
2. Congressional funding to MMS and other critical agencies such as Fish and Wildlife Service, National Marine Fisheries Service, DOE, and EPA, should be assured to allow staff to accomplish the work necessary to increase production of natural gas in an environmentally sound manner from the OCS.
3. Future production will have technical and economic challenges; therefore, following on the success of the deep water royalty relief program, MMS should develop economic incentives to encourage new drilling for natural gas in an environmentally sound manner in deep formations, subsalt formations, and in deep water. Such incentives should be considered for both new leases and existing leases to maximize the use of the existing natural gas infrastructure on the OCS.
4. The MMS, in cooperation with industry, should encourage increased natural gas production in an environmentally sound manner from existing OCS leases.
5. The Policy Committee supports the existing 5-year leasing program. However, the leasing process can be improved with increased congressional funding for mitigation, including impact assistance funds, revenue sharing, and local participation in the decisionmaking process.
6. Encourage congressional funding for additional education and outreach regarding the leasing program.
7. With regard to improving the leasing process, the Policy Committee also recommends that MMS:
 - Include the mitigation of local social, cultural, and economic impacts within its policy determinations and recommendations.
 - Consider how the Bureau can restructure its decisionmaking process to provide for greater input from local communities, including the opportunity for MMS, the industry, and local residents to attempt to reach agreement on controversial matters and how they should be adjusted, remedied, or mitigated—at specific times and places that various activities occur.

- Conduct a comparative assessment of environmental risk between offshore and onshore production, where onshore reserves exist in the same area as offshore reserves.
 - Encourage operators to provide natural gas to the local communities in all areas.
 - Specifically in Alaska,
 - Give special consideration to local, social, cultural, and economic impacts in northern Alaskan communities, in light of the unique subsistence culture in, and the remoteness of, these communities.
 - Adopt as a resource tool the 1994 NRC Committee report entitled “Environmental Information for Outer Continental Shelf Oil and Gas Decisions in Alaska” (National Academy Press, 1994).
8. The MMS, partnering with DOE, should expand cooperative research with other agencies and industry seeking technical solutions to leading edge issues such as seismic imaging of subsalt areas and drilling in deep formations.
 9. The MMS, in cooperation with DOE, should encourage international cooperation in development of gas hydrates in an environmentally sound manner, with a goal of a pilot program in place within 10 years.
 10. A gas pipeline from Alaska to the lower 48 States would favorably encourage an increase in natural gas production by creating favorable economics for Federal OCS production in Alaska. The Policy Committee recommends that DOI work with other agencies to expedite all appropriate permit reviews for such a pipeline.
 11. To help develop information and enhance an informed public debate on whether or not there are grounds and support for a limited lifting of moratoria in existing moratoria areas, the MMS in consultation with industry and affected states, should identify the 5 top geologic plays in the moratoria areas, and if possible, the most prospective areas for natural gas in the plays that industry would likely explore if allowed. The following process would be used:
 - Encourage congressional funding to MMS for the acquisition of seismic data to assist in narrowing down prospective areas. It is important that these data be non-proprietary, which would be the case if acquired exclusively by MMS.
 - Encourage congressional funding for environment and social/human impacts studies for broad based or specific to 5 prospective geological plays.
 - Establish a site-specific stakeholder consultation process that would permit a sharing of information and discussion of concerns regarding the pilot areas.
 12. Although the following are not under the purview of the MMS and the Policy Committee, it is recommended that a national energy policy consider:
 - Continuing to expand and develop the national pipeline infrastructure, looking at corridor access, environmental, safety and regulatory issues, and capacity.
 - Encouraging dual fuel capacity for new electricity generating plants.

- Encouraging the review by the Administration of cost-effective tax incentives to increase the production of natural gas.
- Encouraging conservation and increasing efficiency in the use of natural gas, as a part of a national energy policy portfolio.